

## **U.S. Senate Special Committee on Aging**

**Dick Buxton**

*Tax Fairness: Does Double Taxation Unfairly Target Older Americans?*

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628 Dirksen Senate Office Building  
Washington, D.C.

Good Morning. My name is Dick Buxton from Boise, Idaho. I am a graduate of the U.S. Naval Academy, class of 1959 and have retired as a manager with U. S. West (now Quest) and as a Captain in the Naval Reserve. Since retirement I have worked several different businesses to include teaching in the public schools. I wish to thank Chairman Craig and other members of the Committee for inviting me to testify about the issue of double taxation on seniors.

We face double taxation of Social Security benefits. It used to be simple. Social Security was not taxed. But now, seniors pay tax on 50 percent or 85 percent of income over a certain amount. This isn't fair.

Seniors also face double taxation on dividend income. Companies pay income tax and folks who receive dividends pay individual income taxes on those earnings as well.

I don't have a lot of dividend income. Maybe a few hundred dollars a year. I have also purchased IRA's and have some Mutual Funds. It is my understanding that IRA dividends will not benefit from the removal of the double taxation on dividends. But my 89-year old father, a retired railroad switchman, depends on his dividends. He purchased stocks such as Idaho Power, energy stocks and utility stocks as income stocks to supplement his railroad retirement. The removal of the double taxation on dividends will be of great benefit.

My 91-year old mother-in-law, a retired schoolteacher, also depends a great deal on her dividends. She is invested in utility and other dividend paying stocks that provide a large part of her retirement income. The removal of the double taxation on dividends will be of great benefit.

Finally, when someone dies, the government taxes what might be left over. Moving the tax-free limit up from \$600,000 is a good idea, especially for people who own family farms or small businesses. Increasing the tax-free limit will help hold these farms and businesses together after the founder dies.

These are the reasons I support the President's proposal to give tax relief to all Americans. His plan should open the eyes of investors in stocks that the objective of a business is to make a profit. In my view a major cause of our Stock Market decline and corporate breach of trust can be attributed to the high degree of speculation in tech stocks that were losing money. Companies that pay dividends usually have to be a for profit company and most of the companies do make a profit. In the last few years stocks were hard to follow, as Illinois Power became Dynegy and went from a high dividend stock to a stock with a big increase in stock value. With the debacle of Enron many stocks in Energy trading and Telecommunications were decimated. These stocks for the most part were highly speculative. With the elimination of the double taxation of dividends analyst should be more honest in there stock evaluation endeavors and people purchasing stock should be more aware of the stocks they are purchasing.

I am not an accountant, but I have made it a point of doing my own taxes to more fully understand and be directly knowledgeable of the contents on my tax return. I also do my Parents return.

Thank you, Senator Craig and the Committee for your time.